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ECONOMIC INDICATORS

Research Department, First Hawaiian Bank

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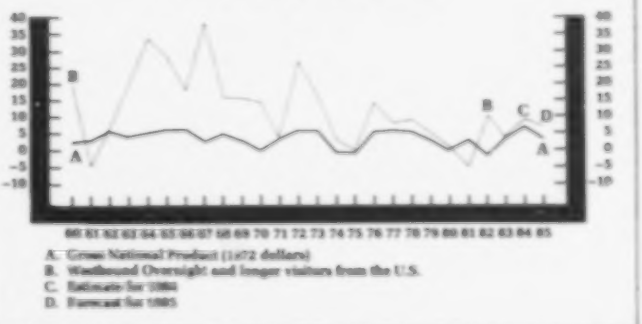
Prospects for the Hawaiian Economy in 1985

Given the anticipated moderation in national economic growth in 1985, questions arise as to the implications for Hawaii's major industries.*

Tourism is the area of major concern. Mainland visitors comprise 58 percent of all travelers to Hawaii. While industry spokespersons forecast a strong first quarter for 1985, based on advanced bookings and reservations, growth in the second half will be increasingly against the background of a weakening national economy. The accompanying graph shows an increasing convergence between mainland visitor counts and national economic fluctuations. In general, upturns in tourism growth tend to lag upturns in the economy by approximately one year, while downturns in visitor counts occur during or immediately after downturns in the national economy.



One factor that might offset the weakening in the national market is the international tourist market, which totals 1.3 million visitors or 29 percent of Hawaii's travel market. Of that total, 77 percent originate from Asian countries, principally Japan, 18 percent come from Canada, while 5 percent come from Europe, South America, and other countries. The Japanese market promises to maintain strong growth rates in 1985, due to growth in the Japanese economy. The Canadian segment, however, will be affected by a weakening economy. On the other hand, the strong U.S. dollar will continue to hamper Hawaii's international markets, particularly for those countries showing weaker economic growth.

Another factor is the airline industry. In the last three years, reflecting the national economic expansion, and the deregulation of the airline industry, six new airline routes were established to Honolulu, and seven new direct routes were established to the Neighbor Islands. If Mainland visitor counts decline, the industry may find itself with overcapacity in the face of diminishing demand. With world oil prices falling, the stage may be set for intense fare competition in the Mainland to Hawaii market. However, it could also lead to failures of airlines, such as in the case of Hawaii Express and Pacific East Air in 1984. The recent fare discount moves by American Airlines, while more in response to competitive conditions on the Mainland, could signal potential impacts on Hawaii if demand begins to fall off. This could have a positive effect on Hawaii visitor counts.

Thus, given increasing uncertainty in the market, overall growth rates in visitor counts will most likely drop from 11 percent in 1984 to 5 to 7 percent in 1985.

Increases in interest rates will not help the construction or real estate industry. Settlement of labor disputes should stimulate increased activity in the first half of 1985, but the potential for growth will diminish if interest rates rise in the second half of 1985 as forecast.

Military expenditures decreased in real terms in 1984 due to post-Hurricane Iwa reconstruction in 1983. For 1985, defense expenditures should return to their long-term real growth rate of around 8 percent, which has prevailed since the beginning of the Reagan Administration.

Sugar revenues are expected to drop by 5 percent in 1985 as a result of reduced production due to droughts since 1983, increased competition from chemical sweeteners, and higher foreign sugar quotas. Prospects for the renegotiation of sugar supports in the Farm Bill also look uncertain in the context of a free market oriented Reagan Administration, and a deficit reduction-minded Congress.

The pineapple industry also faces uncertainty in 1985. While the canned market saw a strong 19-percent increase in 1984, most of the improvement reflected the success of the private-label focus of Maui Land & Pine Co., Del Monte, and Dole, however, have faced increasing production cutbacks and corporate reorganization, increasing uncertainty in the industry for 1985.

Thus, the outlook for 1985 indicates continuing growth in the first half of 1985, but a potential for diminished growth in the second half of the year. In this regard, promotion of the Japanese visitor market, as well as the overall industry may play a key role in stimulating growth in 1985. For the longer term, however, greater efforts need to be directed toward diversifying Hawaii's economic base.

*See the back cover story for a forecast of the national economy in 1985.

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u. s. economic indicators

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	4th Qtr.	3,747p	1.4	9.2
In 1972 Dollars	bil. $	4th Qtr.	1,657p	0.7	5.3
PERSONAL INCOME**	bil. $	Nov.	3,100p	0.7	9.4
BANKING AND CREDIT					
DEBITS TO DEMAND DEPOSITS**	bil. $	Nov.	73,024	−3.2	12.8
BANK LOANS*	bil. $	Nov.	1,275p	1.2	14.2
AVERAGE PRIME RATE	percent	Dec.	11.06	−6.0	0.5
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	Oct.	315.8p	1.7	17.9
CONSTRUCTION COST INDEXES:					
Residences	1967 = 100	Sept.	362.6	0.6'	5.7
Apts. Hotel, Office Bldgs	1967 = 100	Sept.	363.3	0.2'	3.0
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	Nov.	105,872	0.3	3.2
UNEMPLOYMENT*	thous.	Nov.	8,154	−3.3	−13.5
UNEMPLOYMENT RATE*	percent	Nov.	7.0	−4.1	−15.7
PRICES					
CONSUMER PRICE INDEXES:					
Wage Earners and Clerical Workers	1967 = 100	Dec.	312.2	0.1	3.5
All Urban Consumers	1967 = 100	Dec.	315.5	0.1	4.0
PRODUCER PRICE INDEXES:					
Finished Goods*	1967 = 100	Nov.	292.4p	0.5	1.9
All Commodities	1967 = 100	Oct.	309.4p	0.0	1.1

p - preliminary. 'Compared to July, 1984. *Seasonally adjusted. **Seasonally adjusted at annual rates.

business activity in hawaii

TOURISM					
VISITOR EXPENDITURES	mil. $	1983	4,000p	.....	8.1
OVERNIGHT OR LONGER VISITORS	number	Dec.	426,790p	12.2	6.9
	number	Jan.-Dec.	4,826,640p	.....	10.6
Westbound	number	Dec.	325,300p	8.5	6.6
	number	Jan.-Dec.	3,701,780p	.....	9.1
Eastbound	number	Dec.	101,490p	25.8	7.9
	number	Jan.-Dec.	1,124,860p	.....	15.7
AVERAGE DAILY VISITOR CENSUS	number	Jan.-Dec.	105,770p	.....	8.4
AVERAGE LENGTH OF STAY	no. of days	Jan.-Dec.	10.5p	.....	0.0
MEETING ATTENDANCE	number	Jan.-Dec.	255,152	.....	20.5
ORGANIZED GROUP TOURS	number	Jan.-Dec.	892,540p	.....	15.1
NEIGHBOR ISLAND VISITORS:*					
Maui County	number	Dec.	144,410p	−3.7	1.8
	number	Jan.-Dec.	1,849,800p	.....	8.9
Hawaii	number	Dec.	61,740p	2.7	−2.8
	number	Jan.-Dec.	756,890p	.....	2.7
Kauai	number	Dec.	63,790p	−2.4	12.5
	number	Jan.-Dec.	806,620p	.....	13.0
VISITOR ACCOMMODATIONS:					
STATE	number	June	63,956	2.4	8.6
Oahu	number	June	37,910	2.9	10.3
Waikiki	number	June	33,192	3.0	10.2
Maui Island	number	June	12,695	1.6	5.4
Molokai	number	June	329	0.3	0.0
Lanai	number	June	12	0.0	9.1
Hawaii	number	June	7,209	0.8	−2.2
Kauai	number	June	5,501	3.5	22.9
HOTEL OCCUPANCY:					
STATE	percent	Nov.	77.1p	1.7	18.4
	percent	Jan.-Nov.	77.3p	.....	9.2
Oahu	percent	Nov.	82.5p	4.6	20.1
	percent	Jan.-Nov.	82.9p	.....	8.5
Maui Islands	percent	Nov.	80.1p	−3.6	9.7
	percent	Jan.-Nov.	81.9p	.....	7.3
Hawaii	percent	Nov.	60.7p	2.7	26.7
	percent	Jan.-Nov.	55.9p	.....	18.9
Kauai	percent	Nov.	60.5p	−7.8	16.8
	percent	Jan.-Nov.	63.7p	.....	9.5

p - preliminary. *Estimated Westbound.

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CURRENT BUSINESS TRENDS

Visitor arrivals broke all records during 1984. According to the latest figures released by the Hawaii Visitors Bureau, 4,826,640 people came to Hawaii last year. This represented a giant 10.6 percent gain over the 4,364,980 tourists seen in 1983. That was the best growth rate since 1976, the only other year in the past decade to show double digit expansion.

Dramatic gains in the Eastbound market were an important factor contributing to the record year. Visitors coming from Japan, Asia, and Oceania totalled 1,124,860 during 1984. That was 15.7 percent above the 972,000 arrivals in 1983. It also made 1984 the first year that the Eastbound tourist count broke the one million mark.

The Westbound traveler market grew by a more modest but still respectable 9.1 percent, going from 3,392,980 in 1983 to 3,701,780 in 1984. The visitor count from Hawaii's major market, California, dropped by 14 percent during 1984. But, other regions more than made up for the loss.

While all counties showed over-the-year increases in travelers, the growth was not equal. Returning to pre-Hurricane Iwa levels, Kauai County led with a 13.0 percent improvement; visitors increased from 713,930 in 1983 to 806,620 in 1984. Maui reported a healthy 8.9 percent over-the-year growth, from 1,698,630 in 1983 to 1,849,800 in 1984, while the Big Island had the smallest gain. Visitor traffic increased by a moderate 2.7 percent, from 737,180 in 1983 to 756,890 in 1984.

Unemployment in the state made unexpected improvements during the month of November. The jobless rate dropped from 6.3 percent in October to 5.7 percent in November. The construction worker strikes and lockouts that have beset the industry since July led to higher than usual unemployment rates in the second half of 1984. That the November rate fell was, in part, due to the settlement of one of these strikes. Most of the drop, however, was due to year-end seasonal expansion.

The number of jobs in the state jumped from 443,950 in October to 448,950 in November, a substantial

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	year to 3rd Qtr.	1,449	.....	−0.1
Military Payroll	mil. $	year to 3rd Qtr.	628.9	.....	5.6
Civilian Payroll	mil. $	year to 3rd Qtr.	437.7	.....	4.0
Local Purchases	mil. $	year to 3rd Qtr.	382.5	.....	−11.9
SUGAR					
SUGAR PRODUCTION	thous. tons	Jan.-Nov.	1,040	.....	2.8
N. Y. RAW SUGAR PRICE	$/ton	Jan.-Nov.	435.9	.....	−1.4
PINEAPPLE SHIPMENTS					
CANNED[2]	mil. $	Jan.-Nov.	193.1	.....	14.3
FRESH	thous. lbs.	Jan.-Nov.	222.8	.....	0.3
DIVERSIFIED AGRICULTURE					
CROPS	thous. $	1983	112,618	.....	8.3
FLOWERS & NURSERY PRODUCTS	thous. $	1983	36,165	.....	18.2
Anthurium Outshipments[3]	th. dozens	Jan.-Nov.	1,606	.....	4.3
Potted Foliage Plants	thous. $	1983	10,836	.....	22.9
FRUITS & NUTS	thous. $	1983	38,521	.....	−8.2
Papaya Sales	th. lbs.	Jan.-Nov.	60,760	.....	49.5
Average Farm Price	cents/lb.	Nov.	13.0	−31.6	13.0
Macadamia Nut Sales (in shell)	th. lbs.	1983	38,160	.....	3.9
Average Farm Price	cents/lb.	1983	68.0	.....	−8.0
VEGETABLES AND MELONS[4]	th. lbs.	Jan.-Nov.	61,040	.....	−1.0
LIVESTOCK	thous. $	1983	86,413	.....	10.2
BEEF PRODUCTION (Dressed Wt.)	th. lbs.	Jan.-Nov.	28,536	.....	−0.3
Average Farm Price (Feedlot Beef)	cents/lb.	Nov.	88.5	−2.2	−4.3
HOG PRODUCTION (Dressed Wt.)	th. lbs.	Jan.-Nov.	5,555	.....	1.9
Average Farm Price	cents/lb.	Nov.	105.0	−0.5	0.5
MILK PRODUCTION	mil. lbs.	Jan.-Nov.	136.5	.....	0.3
Average Price Sold to Plants	$/100 lbs.	Nov.	20.16	−3.0	−3.4
EGG PRODUCTION	mil.	Jan.-Nov.	192.1	.....	5.7
Average Farm Price	cents/doz.	Nov.	83.5	−0.6	3.1
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE	mil. $	Jan.-Nov.	1,146	.....	−7.4
PRIVATE PERMITS AUTHORIZED					
STATE:					
RESIDENTIAL	thous. $	Jan.-Nov.	361,936	.....	0.1
Single Family Units	number	Jan.-Nov.	3,874	.....	25.6
Multiple Family Units	number	Jan.-Nov.	1,192	.....	−41.1
NONRESIDENTIAL	thous. $	Jan.-Nov.	183,101	.....	−26.3
OAHU:					
RESIDENTIAL	thous. $	Jan.-Nov.	223,731	.....	10.2
Single Family Units	number	Jan.-Nov.	2,096	.....	39.3
Multiple Family Units	number	Jan.-Nov.	966	.....	−47.1
NONRESIDENTIAL	thous. $	Jan.-Nov.	127,308	.....	−9.1
MAUI CO.:					
RESIDENTIAL	thous. $	Jan.-Nov.	37,996	.....	4.4
Single Family Units	number	Jan.-Nov.	592	.....	16.5
Multiple Family Units	number	Jan.-Nov.	6	.....	−75.0
NONRESIDENTIAL	thous. $	Jan.-Nov.	17,777	.....	−64.5
HAWAII:					
RESIDENTIAL	thous. $	Jan.-Nov.	61,422	.....	14.6
Single Family Units	number	Jan.-Nov.	850	.....	4.7
Multiple Family Units	number	Jan.-Nov.	181	.....	88.5
NONRESIDENTIAL	thous. $	Jan.-Nov.	25,164	.....	−9.0
KAUAI:					
RESIDENTIAL	thous. $	Jan.-Nov.	37,165	.....	−45.9
Single Family Units	number	Jan.-Nov.	336	.....	29.2
Multiple Family Units	number	Jan.-Nov.	39	.....	−49.4
NONRESIDENTIAL	thous. $	Jan.-Nov.	12,551	.....	−59.2

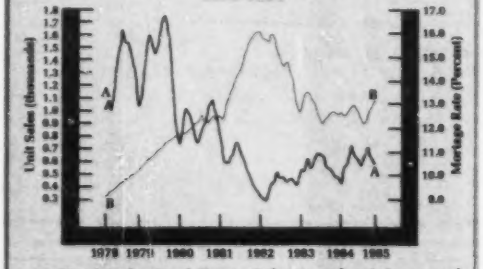
p = preliminary.
[2]Gross taxable income valued at time of shipment.
[3]From Hawaii County.
[4]Includes snap beans, cabbage, celery, sweet corn, cucumbers, lettuce, onions, green peppers, tomatoes, and watermelons.

over-the-month gain of 5,000. The bulk of these were in state government (plus 2,350) and retail trades (plus 2,050). A majority of the government workers were temporary hires in the Department of Education, while retail stores added a significant number of new but short-term personnel in preparation for the holiday season. Also, employment in services grew as restaurants and hotels hired additional workers to meet the seasonal increase. Construction showed an over-the-month gain of 600 jobs. This was the first increase since the strikes began in July, and was largely due to the settlement of the concrete workers' strike and lockout. Manufacturing was the only area to show an over-the-month decrease. A temporary shutdown, used as a cost-saving measure by Waialua Sugar Co. and Hawaiian Tuna Packers, accounted for much of the short-term reductions in manufacturing jobs.

After a slow start in early 1984, real estate activity picked up in the second half of the year. During the first six months of 1984, the total number of new and existing residences (both single family and condominiums) sold on Oahu numbered 3,650, compared to 3,870 sold during the same time span in 1983, a drop of 5.7 percent. However, the pattern reversed in the second half of the year. For the July to November period, 3,116 units were sold in 1984, compared to 2,568 in 1983, a 21.3 percent increase.

Real estate sales activity fluctuates dramatically from month-to-month, but in general, it follows an inverse relationship to interest rates (see Figure 1). As mortgage rates drop, the number of sales increase. The gradual decrease in lending rates since 1982 has led to a gain in housing sales.

FIGURE 1
REAL ESTATE SALES AND MORTGAGE RATES
OAHU
1978-1984



A. Total Oahu Real Estate Sales (condominiums and single family)—Left hand scale
B. Average Conventional Home Mortgage Rate—Right hand scale

THE CONSTRUCTION INDUSTRY IN HAWAII

Construction was one of the few industries in Hawaii's economy that did

business activity in hawaii [cont.]

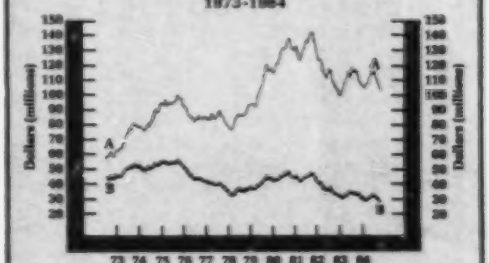
Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
PUBLIC CONTRACTS AWARDED					
TOTAL GOVERNMENT PROJECTS:					
STATE	thous. $	Jan.-Dec.	388,656	.....	41.3
Oahu	thous. $	Jan.-Dec.	300,782	.....	38.6
Maui County	thous. $	Jan.-Dec.	26,760	.....	−10.6
Hawaii	thous. $	Jan.-Dec.	23,057	.....	14.4
Kauai	thous. $	Jan.-Dec.	38,058	.....	382.8
BY LEVEL OF GOVERNMENT:					
Federal	thous. $	Jan.-Dec.	130,008	.....	59.8
State	thous. $	Jan.-Dec.	176,968	.....	38.5
County	thous. $	Jan.-Dec.	81,680	.....	24.0
HONOLULU CONSTRUCTION COST INDEXES					
SINGLE FAMILY	1967 = 100	Dec.	349.1	−0.5	2.7
HIGH-RISE	1967 = 100	Dec.	369.2	−0.3	2.8
REAL ESTATE					
NEW SALES					
OAHU: Single Family	number	Jan.-Nov.	1,240	.....	34.8
Condominium	number	Jan.-Nov.	1,897	.....	−6.3
RESALES					
STATE: Single Family	number	Jan.-Nov.	2,151	.....	1.7
Average Price	dollars	Jan.-Nov.	168,935	.....	2.4
Condominium	number	Jan.-Nov.	2,543	.....	3.3
Average Price	dollars	Jan.-Nov.	109,013	.....	−1.3
OAHU: Single Family	number	Jan.-Nov.	1,582	.....	2.7
Average Price	dollars	Jan.-Nov.	185,652	.....	1.1
Condominium	number	Jan.-Nov.	2,047	.....	4.9
Average Price	dollars	Jan.-Nov.	103,358	.....	−0.1
MAUI CO.: Single Family	number	Jan.-Nov.	188	.....	6.8
Average Price	dollars	Jan.-Nov.	175,046	.....	11.6
Condominium	number	Jan.-Nov.	361	.....	−1.4
Average Price	dollars	Jan.-Nov.	142,211	.....	−5.6
HAWAII: Single Family	number	Jan.-Nov.	314	.....	−9.8
Average Price	dollars	Jan.-Nov.	88,546	.....	−4.0
Condominium	number	Jan.-Nov.	93	.....	−21.8
Average Price	dollars	Jan.-Nov.	91,111	.....	−5.0
KAUAI: Single Family	number	Jan.-Nov.	67	.....	34.0
Average Price	dollars	Jan.-Nov.	133,819	.....	8.3
Condominium	number	Jan.-Nov.	42	.....	75.0
Average Price	dollars	Jan.-Nov.	138,847	.....	−1.8
BUSINESS SALES					
GROSS BUSINESS RECEIPTS	mil. $	Jan.-Nov.	21,890	.....	11.0
DIVERSIFIED MANUFACTURING	mil. $	Jan.-Nov.	486.9	.....	3.7
DIVERSIFIED AGRICULTURE	mil. $	Jan.-Nov.	223.8	.....	10.4
RETAILING	mil. $	Jan.-Nov.	7,814	.....	10.4
WHOLESALING	mil. $	Jan.-Nov.	5,629	.....	15.6
SERVICES	mil. $	Jan.-Nov.	5,017	.....	12.8
OAHU NEW CAR SALES	number	Jan.-Dec.	41,882p	.....	15.4
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	Jan.-Nov.	6,416	.....	2.4
GAS SALES	th. therms.	Jan.-Nov.	43,774	.....	−0.9
TELEPHONE LINES IN SERVICE	thous.	Nov.	471.3	−0.1	3.2
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX:					
Wage Earners and Clerical Workers	1967 = 100	Dec.	297.6	1.1*	3.3
All Urban Consumers	1967 = 100	Dec.	289.8	0.8*	4.1

*Compared to October, 1984.

not benefit from the economic recovery of 1984. All of the major indicators for the building industry are still pointing in a downward direction.

The total value of construction-put-in-place staged a short-lived rally during the last half of 1983, but then turned down again in 1984. Strikes in the industry further aggravated the situation, leading to an even greater decline. Longer-run statistics for the value of construction-put-in-place, in current and constant dollars, show that the dollar amount of construction during the 1982-1984 period was well below the burst of activity seen between 1979 and 1981 (see Figure 2).

FIGURE 2
CONSTRUCTION PUT IN PLACE
STATE OF HAWAII
1973-1984



A. Dollar Value of Construction in Current Dollars
B. Dollar Value of Construction in Constant (1967) Dollars

As a consequence, construction jobs have declined, following the downturn in building activity (see Figure 3).

Construction jobs peaked in mid-1980 and gradually decreased since then. Since July of 1984, the industry was plagued by labor problems including strikes and lockouts by concrete workers, carpenters, and electricians. As of November of 1984, there were 14,250 construction jobs in the state, which was the lowest number in decades. Construction jobs have not been that low since the early 1960s.

As jobs decreased, so has personal income (see Figure 4). The dollar amount of personal income in the state attributable to construction employment dropped by 12.6 percent between 1981 and 1982, from $563 million to $492 million (in current dollars). The building industry rallied in 1983, as income increased to $539 million. However, it fell again to $534 million during the fist half

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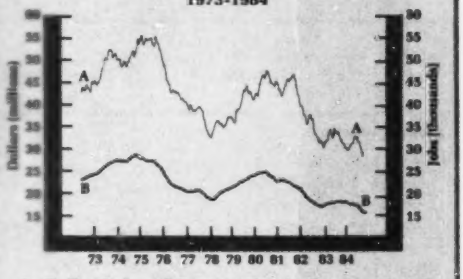
Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
POPULATION					
STATE:					
Total De Facto Population	thous.	July 1, 1984	1,143p	.....	2.1
Total Resident Population	thous.	July 1, 1984	1,040p	.....	1.7
OAHU:					
Total De Facto Population	thous.	July 1, 1984	868.2p	.....	1.7
Total Resident Population	thous.	July 1, 1984	805.6p	.....	1.2
MAUI COUNTY:					
Total De Facto Population	thous.	July 1, 1984	107.0p	.....	3.3
Total Resident Population	thous.	July 1, 1984	83.2p	.....	4.4
HAWAII:					
Total De Facto Population	thous.	July 1, 1984	114.9p	.....	2.9
Total Resident Population	thous.	July 1, 1984	106.8p	.....	2.7
KAUAI:					
Total De Facto Population	thous.	July 1, 1984	52.7p	.....	2.9
Total Resident Population	thous.	July 1, 1984	44.8p	.....	2.8
CIVILIAN RESIDENT POPULATION:					
STATE	thous.	July 1, 1984	979.6p	.....	1.2
MILITARY PERSONNEL:					
STATE	number	July 1, 1984	60,800	.....	3.0
Ashore	number	July 1, 1984	56,321	.....	4.8
Afloat	number	July 1, 1984	4,483	.....	−14.9
CIVILIAN MILITARY DEPENDENTS	number	July 1, 1984	67,083	.....	1.3
FOREIGN IMMIGRATION[1]	number	Jan.-Dec.	5,326	.....	−0.7
INCOME					
TOTAL PERSONAL INCOME**	mil. $	2nd Qtr., 1984	13,273p	2.0	7.8
EMPLOYMENT INCOME[2]	mil. $	2nd Qtr., 1984	9,663p	1.5	6.9
Manufacturing	mil. $	2nd Qtr., 1984	455p	−1.7	5.1
Construction & Mining	mil. $	2nd Qtr., 1984	534p	−0.4	2.3
Wholesale	mil. $	2nd Qtr., 1984	407p	2.5	10.3
Retail	mil. $	2nd Qtr., 1984	1,101p	2.7	9.3
Finance, Ins., & Real Estate	mil. $	2nd Qtr., 1984	667p	1.4	6.7
Trans., Comm., & Util.	mil. $	2nd Qtr., 1984	857p	1.9	6.5
Services	mil. $	2nd Qtr., 1984	2,116p	3.3	10.6
Farm & Other	mil. $	2nd Qtr., 1984	303p	4.1	1.3
Federal Civilian	mil. $	2nd Qtr., 1984	856p	0.1	−0.3
Federal Military	mil. $	2nd Qtr., 1984	1,243p	−0.5	10.7
State & Local	mil. $	2nd Qtr., 1984	1,123p	1.1	3.5
PROPERTY INCOME (Dividends, Interest, & Rent)	mil. $	2nd Qtr., 1984	2,504p	4.1	13.2
TRANSFER PAYMENTS (1,743) minus Personal Contributions for Social Insurance (637)	mil. $	2nd Qtr., 1984	1,106p	1.7	4.2
PER CAPITA PERSONAL INCOME:					
STATE	dollars	1983	12,114p	.....	4.5
Oahu	dollars	1982	12,130p	.....	5.3
Maui County	dollars	1982	10,458p	.....	7.1
Hawaii	dollars	1982	9,148p	.....	2.2
Kauai	dollars	1982	9,869p	.....	5.8

**Total personal income and all components are seasonally adjusted at annual rates.
[1]Includes only those entering Honolulu ports and do not include status changes.
[2]Includes wage and salary disbursements, proprietors' income, and other labor income.

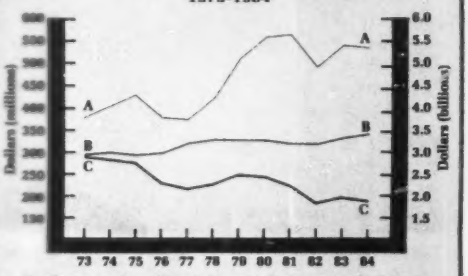
FIGURE 3
CONSTRUCTION PUT IN PLACE AND CONSTRUCTION EMPLOYMENT
STATE OF HAWAII
1973-1984



A. Dollar Value of Construction in Constant (1967) Dollars—Left hand scale
B. Construction Employment—Right hand scale

of 1984. The net effect is that there has been no growth in personal income of construction workers over the last five years.

FIGURE 4
CONSTRUCTION INCOME AND TOTAL INCOME
STATE OF HAWAII
1973-1984



A. Construction Employment Income in Current Dollars—Left hand scale
B. Employment Income All Industries in Constant (1967) Dollars—Right hand scale
C. Construction Employment Income in Constant (1967) Dollars—Left hand scale

Taking inflation into consideration, the income of construction workers (in 1967 dollars) showed a substantial decrease, dropping from $294 million in 1973 to $189 million in 1984, a 35.7 percent drop. The decrease in construction income was in strong contrast to income growth for the rest of Hawaii's workers. Employment income for all industries increased during the same time period by 15.0 percent, from $2.9 billion to $3.4 billion.

The only area to show positive growth in 1984 was government construction (see Figure 5). Public projects have fluctuated dramatically over time, and this pattern continued over recent years. After a peak in 1981, government proj-

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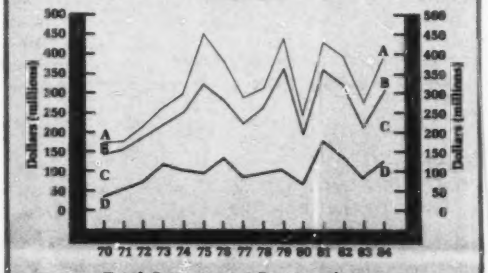
employment and jobs in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
EMPLOYMENT					
STATE:					
Civilian Labor Force	thous.	Nov.	473.0p	0.0	−0.1
Employment	thous.	Nov.	446.0p	0.7	0.5
Unemployment	thous.	Nov.	26.9p	−10.0	−9.1
Unemployment Rate	percent	Nov.	5.7p	−9.5	−9.5
OAHU:					
Civilian Labor Force	thous.	Nov.	361.9p	0.4	−0.2
Employment	thous.	Nov.	342.6p	1.0	0.3
Unemployment	thous.	Nov.	19.3p	−9.4	−8.5
Unemployment Rate	percent	Nov.	5.3p	−10.2	−8.6
MAUI COUNTY:					
Civilian Labor Force	thous.	Nov.	42.9p	0.0	1.4
Employment	thous.	Nov.	40.3p	1.3	3.6
Unemployment	thous.	Nov.	2.6p	−16.1	−25.7
Unemployment Rate	percent	Nov.	6.1p	−15.3	−26.5
HAWAII:					
Civilian Labor Force	thous.	Nov.	46.7p	−2.7	0.2
Employment	thous.	Nov.	43.1p	−2.0	0.0
Unemployment	thous.	Nov.	3.7p	−7.5	5.7
Unemployment Rate	percent	Nov.	7.8p	−7.1	5.4
KAUAI:					
Civilian Labor Force	thous.	Nov	21.5p	0.0	−1.4
Employment	thous.	Nov.	20.1p	0.0	−1.0
Unemployment	thous.	Nov.	1.5p	0.0	−6.3
Unemployment Rate	percent	Nov.	6.8p	−2.9	−4.2
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	Nov.	448.9p	1.1	0.5
SUGAR (Mill and Field)	thous.	Nov.	7.4p	−6.3	−3.9
PINEAPPLE (Cannery and Field)	thous.	Nov.	3.7p	5.7	8.8
DIVERSIFIED MANUFACTURING					
(Excluding Sugar and Pineapple)	thous.	Nov.	15.8p	−1.9	−1.9
Durable Goods	thous.	Nov.	3.5p	0.0	0.0
Non-Durable Goods	thous.	Nov.	12.3p	−3.1	−1.6
Apparel and Textiles	thous.	Nov.	2.9p	0.0	0.0
DIVERSIFIED AGRICULTURE					
(Excluding Sugar And Pineapple, but including Agricultural Self-Employed)	thous.	Nov.	9.1p	−8.1	−1.1
CONTRACT CONSTRUCTION	thous.	Nov.	14.3p	5.9	−21.4
TRANSPORTATION	thous.	Nov.	21.6p	0.5	4.2
COMMUNICATION	thous.	Nov	7.3p	0.0	−1.4
UTILITIES	thous.	Nov.	2.5p	0.0	4.2
RETAIL TRADE	thous.	Nov.	91.7p	2.2	3.6
WHOLESALE TRADE	thous.	Nov.	18.1p	0.0	0.0
FINANCE, INSURANCE AND REAL ESTATE	thous.	Nov.	30.9p	0.3	−1.3
HOTEL SERVICES—STATE	thous.	Nov.	28.1p	1.8	4.5
Oahu	thous.	Nov.	15.9p	1.3	8.2
Maui County	thous.	Nov.	6.3p	3.3	0.0
Hawaii	thous.	Nov.	3.7p	0.0	5.7
Kauai	thous.	Nov.	2.3p	0.0	0.0
OTHER SERVICES	thous.	Nov.	78.5p	0.5	1.2
FEDERAL GOVERNMENT	thous.	Nov.	32.4p	0.6	0.9
Civilian Agencies	thous.	Nov.	11.7p	0.0	3.5
Defense Department	thous.	Nov.	20.7p	1.0	0.0
STATE GOVERNMENT	thous.	Nov.	47.9p	5.3	0.8
COUNTY GOVERNMENT	thous.	Nov.	12.9p	0.0	2.4
NON-AGRICULTURE SELF-EMPLOYED	thous.	Nov.	25.5p	−0.4	−5.6
UNEMPLOYMENT INSURANCE					
INSURED UNEMPLOYMENT (Weekly Average)	number	Nov.	13,521	−11.3	−14.7
INTRASTATE INITIAL CLAIMS	number	Jan.-Nov.	68,198	.....	−0.5
INTERSTATE INITIAL CLAIMS	number	Jan.-Nov.	3,939	.....	−9.3
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	Jan.-Nov.	70,784	.....	−8.4

p = preliminary

ects dropped sharply and then rebounded in 1984. Public construction during 1984 finished 43.1 percent ahead of 1983, rising from $275.0 million in 1983 to $393.4 million in 1984. The bulk of the increase was due to federal spending. Federal construction expenditures in 1984 were up an impressive 59.8 percent over 1983. Spending grew from $81.3 million in 1983 to $130.0 million in 1984. State projects also showed a healthy gain of 40.3 percent, increasing from $127.7 million in 1983 to $179.2 million in 1984. Though well below the other two public sectors, county government also increased its construction expenditures. Local government contracts grew from $65.9 million in 1983 to $84.2 million in 1984, a 27.7 percent jump.

FIGURE 5
COUNTY, STATE, AND FEDERAL CONSTRUCTION
STATE OF HAWAII
1970-1984



A. Total Government Construction
B. County Construction
C. State Construction
D. Federal Construction

Depending on movements in interest rates, the prospects for 1985 look encouraging. First, given the settlement of the recent labor strikes and lockouts in the industry, there should be a surge of activity to make up for lost time. This will substantially boost construction volume.

Second, while residential permit activity is currently down, growing demand in the economy should stimulate increased residential construction (see Figure 6). For example, residential permit value dropped by 43.7 percent between 1981 and 1984, from $296.5 million in 1981 to an estimated $167.0 million in 1984, while the number of housing units in the state increased by 4.9 percent, or less than 1 percent a year. On the other hand, the population grew by 6.0 percent and personal income grew by 20.8 percent over the same period. An increase in need created by more people with more money should increase the demand for residential units.

Third, the construction of nonresidential buildings should revive as the current glut of office space is absorbed

public assistance in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
PUBLIC ASSISTANCE					
INCOME MAINTENANCE:					
Recipients[1]	no./persons	Nov.	60,156	−0.1	−4.8
Payments	thous. $	Jan.-Nov.	93,868	.....	−5.0
MEDICAL ASSISTANCE:					
Recipients[1]	no./patients	Nov.	47,877	2.7	2.0
Payments	thous. $	Jan.-Nov.	139,599	.....	−8.0
FOOD STAMPS:					
Recipients[1]	no./persons	Oct.	99,509	−0.7	−0.3
Payments	thous. $	Jan.-Oct.	67,166	.....	0.5
SERVICES:					
Recipients[1]	no./cases	3rd Qtr.	6,903	−1.8	−3.0
Payments	thous. $	Yr. to 3rd Qtr.	10,036	.....	−6.6

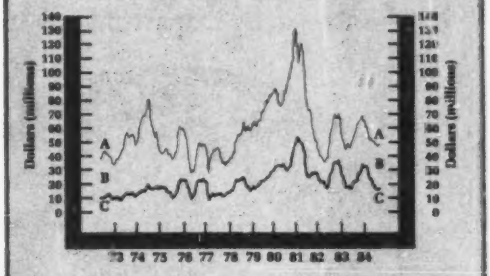
[1]Count of recipients is duplicated. A person may be counted in each category.

banking and finance in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
FINANCE					
COMMERCIAL BANK DEPOSITS:					
STATE:					
Total Deposits	mil. $	Nov.	6,397	1.8	12.3
Debits To Demand Deposits	mil. $	Jan.-Nov.	85,959	.....	5.4
OAHU:					
Total Deposits	mil. $	Nov.	5,287	2.0	12.7
Debits To Demand Deposits	mil. $	Jan.-Nov.	78,832	.....	5.0
MAUI COUNTY:					
Total Deposits	mil. $	Nov.	415.0	1.3	15.6
Debits To Demand Deposits	mil. $	Jan.-Nov.	3,029.6	.....	10.9
HAWAII:					
Total Deposits	mil. $	Nov.	464.0	0.8	7.4
Debits To Demand Deposits	mil. $	Jan.-Nov.	2,941.2	.....	12.8
KAUAI:					
Total Deposits	mil. $	Nov.	231.4	−0.5	7.5
Debits To Demand Deposits	mil. $	Jan.-Nov.	1,156.0	.....	0.8
BANK LOANS OUTSTANDING—STATE	mil. $	3rd Qtr.	3,970	−1.2	9.0
Real Estate	mil. $	3rd Qtr.	1,644	−1.1	−0.4
Consumer	mil. $	3rd Qtr.	909.6	0.9	11.8
Commercial & Industrial	mil. $	3rd Qtr.	1,126	1.4	7.4
Other	mil. $	3rd Qtr.	290.1	−15.2	127.0
SAVINGS & LOAN ASSOCIATIONS:[1]					
TOTAL DEPOSITS	mil. $	Nov.	3,868	2.0	6.6
LOANS	mil. $	Nov.	30.7	−17.6	−12.0
Residential	mil. $	Nov.	16.5	−5.8	3.1
Other	mil. $	Nov.	14.2	−28.1	−24.9
TAX COLLECTIONS:[2]					
STATE	thous. $	Jan.-Nov.	1,270,378	.....	9.3
Oahu	thous. $	Jan.-Nov.	1,108,411	.....	8.6
Maui County	thous. $	Jan.-Nov.	69,824	.....	12.3
Hawaii	thous. $	Jan.-Nov.	66,840	.....	11.9
Kauai	thous. $	Jan.-Nov.	25,303	.....	25.4

[1]Includes data for both Hawaii and Guam.
[2]Taxes collected by the State Department of Taxation. Excludes property taxes which were formerly collected by the State but are now collected by the Counties.

FIGURE 6
TOTAL VALUE OF RESIDENTIAL AND NONRESIDENTIAL PERMITS STATE OF HAWAII 1973-1984



A. Total Permits in Current Dollars
B. Residential Permits in Current Dollars
C. Nonresidential Permits in Current Dollars

and the need for warehouses increases. During 1982 and 1983, approximately 1.5 million square feet of office space was added to the Honolulu commercial market. Historically, the absorption rate has been about 250,000 square feet per year. In the face of this glut, no new buildings will be coming into the rental market during 1984 or 1985. However, the surplus is gradually being absorbed. According to a Grubb & Ellis survey as of December 1984, the vacancy rates were: 11 percent in the Ala Moana area; 14 percent in downtown; 8 percent in the Kapiolani corridor; and 12 percent in the King Street corridor. Anticipating typical absorption rates, and given the long lead time necessary for the construction of office buildings, several large projects should start construction in 1985, and reach completion in 1987.

On the other hand, concerning the market for industrial space, a survey done by Grubb & Ellis in June 1984 reported that over 1.5 million square feet of industrial space was available on Oahu. That represents a 7.4 percent vacancy rate. While not a shortage yet, as businesses expand, the demand for warehouse space should increase, stimulating further construction activity.

The big question, however, is interest rates. If interest rates increase in 1985, the higher rates will dampen the demand for residential units and nonresidential construction, making Hawaii's already high priced housing even less affordable, and increasing the shortage of commercial space. However, if interest rates remain relatively constant in 1985, the outlook for construction during the year should show a healthy improvement over 1984.

In recent months, interest rates have edged downward. This should have a stimulative effect on construction activity, getting the new year off to a good start.

ECONOMIC INDICATORS

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Forecast for the National Economy in 1985

Fears that the national economy was moving toward a recession were allayed with the release of the revised estimate of the U.S. Department of Commerce, which indicated that real growth in the nation's output of goods and services advanced by 3.9 percent in the fourth quarter of 1984. This was a clear improvement over the 1.6 percent posted for the third quarter, and indicates that the economy is picking up strength as it moves into 1985. As a result, the economy grew by 6.8 percent in 1984, the highest annual rate of growth since 1951.

The cause of the surge in economic growth was the easing of Federal Reserve monetary policies, which brought interest rates down in the fourth quarter of 1984. That, in addition to the continuing stimulatory effects of the Federal deficit, as well as the near-term optimistic outlook on inflation, should result in strong growth in the first half of 1985. However, these gains will still be far below the record gains of 10.1 and 7.1 percent recorded in the first two quarters of 1984. The reason stems from the overall satisfaction of pent-up demand in the economy resulting from the aftereffects of the recession in 1982, the large buildup in commodity inventories that occurred in mid-1984, and the resumption of the long-term trend rate of growth in the economy, which is estimated to fall in the 3 to 4 percent range.

The crucial question, however, is whether the acceleration of economic growth in the first half of 1985 will stimulate a resurgence of inflation. That could lead to eventual increases in interest rates and a slowdown in the economy in the second half of the year. Given that inflation averaged 3.7 percent in 1984, the lowest increase since 1967, the prospects for 1985 look good. Softening in world energy prices would help, and so would the continuing strength of the U.S. dollar. If the rate of inflation remains low, many feel that monetary policies could ease, leading to continued lower interest rates and sustained growth.

On the other hand, inflation could begin to pick up by mid year due to rising credit demands, increases in labor costs, and the stimulative monetary policies of late 1984. The strength of the dollar could begin to decline in the international credit markets, as the credit demands of foreign countries increase, and the strength of the U.S. recovery diminishes. This could push the rate of inflation up, and lead to eventual monetary tightening to curb inflation.

In any case, given the overall moderation in economic expansion, growth rates in the third and fourth quarters of 1985 are expected to decline from the first half of the year, resulting in an overall annual real growth rate in the economy of about 4 percent.

The major threats to the 1985 expansion will be Federal deficits and the negative U.S. balance of trade. If the credit demands of the Federal government conflict with consumers and businesses, interest rates will rise, and contribute to an eventual slowdown in the economy.

The trade deficit, which is expected to exceed 100 billion dollars in 1985, will create major uncertainty in the economy. While helping to hold inflation down by substituting cheaper imports for more expensive American goods, the deficit cuts into American industries, by diverting spending toward foreign commodities.

Trade deficits are caused, in large part, by the strength of the U.S. dollar, which in turn is affected by the level of interest rates. Thus, the effect of higher interest rates in 1985 will not only be a slowing of the economy, but a worsening of the balance of trade. Because Federal deficits contribute to higher interest rates, they also exercise a corrosive effect on America's export potential. Furthermore, high interest rates also encourage the flow of capital into the U.S. that helps to finance the Federal budget deficit. Thus, efforts to reduce interest rates and the trade deficit through expansionary monetary policies will most likely prove counter-productive. Not only would it restimulate inflation, but, it would also cut off the flow of capital into the U.S., while not addressing the basic cause of the problem, which is the budget deficit itself. The result could be higher inflation and higher interest rates, not to mention slower economic growth.

Thus, as the U.S. economy settles into a more moderate rate of economic growth in 1985, lack of decisive action on the U.S. Federal budget deficit could foreshadow increasing complications in the years ahead.